

Message Text

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11

ACTION IO-10

INFO OCT-01 NEA-09 ISO-00 SR-02 ORM-01 AID-05 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 AF-06 ARA-06 EA-06 EUR-12

TRSE-00 OMB-01 ABF-01 /104 W
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P 140750Z MAY 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC PRIORITY 4302

INFO AMEMBASSY AMMAN PRIORITY

AMEMBASSY CAIRO PRIORITY

AMEMBASSY DAMASCUS PRIORITY

USMISSION GENEVA PRIORITY

AMCONSUL JERUSALEM PRIORITY

AMEMBASSY TEL AVIV PRIORITY

USMISSION USUN NEW YORK PRIORITY

C O N F I D E N T I A L BEIRUT 6111

EO 11652: XGDS-1

TAGS: SREF UNRWA XF

SUBJECT: UNRWA FUNDING

REFS: A. BEIRUT 5610; B. BEIRUT 3511

SUMMARY: UNRWA COMGEN RENNIE PLANS SEEK ADCOM
MEETING NEXT WEEK TO PRESENT DOCUMENT OUTLINING AGENCY'S FINAN-
CIAL PLIGHT IN STARK AND UNAVOIDABLE TERMS, AS WELL
AS ALTERNATIVE COURSES OF ACTION WHICH WOULD HAVE TO BE
ADOPTED TO DEAL WITH IT. COMGEN BELIEVES HE HAS NO ALTER-
NATIVE AT THIS LATE DATE BUT TO GIVE ADCOM ANOTHER OPPOR-
TUNITY TO CONSIDER THIS PROBLEM. RENNIE REPORTEDLY HAS
RECEIVED UNSGYG WALDHIEM'S APPROVAL OF ANY REDUCTIMNS IN
SERVICES NEEDED TO PRESERVE UNRWA'S SOLVENCY. UNLESS
DEPT ADVISES TO CONTRARY, US REP WILL ADOPT LOW PROFILE IN
ADCOM, LIMITING HIS REMARKS TO OUR TRADITIONAL EXPRESSION
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OF SUPPORT FOR COMGEN'S POLICIES AIMED AT RESOLVING AGENCY'S

FINANCIAL DILEMMA IN MANNER HE DEEMS BEST. WE BELIEVE IT UNLIKELY THAT QUESTION OF PLO PARTICIPATION WILL ARISE IN CONNECTION WITH THIS ADCOM MEETING. END SUMMARY.

1. UNRWA DEPUTY COMGEN MCELHINEY INFORMED EMBOFF MAY 13 THAT COMGEN RENNIE AND STAFF ARE CURRENTLY DRAFTING PAPER FOR SUBMISSION TO ADCOM. DOCUMENT WILL CONTAIN UPDATED PRESENTATION OF AGENCY'S FINANCIAL SITUATION AND WILL PRESENT THREE OPTIONS FOR DEALING WITH IT. COMGEN EXPECTS TO HAVE DRAFT COMPLETED MAY 13 OR 14 AND WILL DISTRIBUTE DOCUMENT TO ADCOM MEMBERS (ARAB HOST GOVTS FIRST) BY END OF THIS WEEK. MCELHINEY STRESSED THAT COMGEN HAS NOT RPT NOT YET DISCUSSED PAPER WITH ANYONE, INCLUDING JAPANESE AMB (CURRENT ADCOM CHAIRMAN). COMGEN HOPES TO HAVE ADCOM CONVENED ON THURSDAY, MAY 22, ALTHOUGH MCELHINEY ADMITTED SOME SLIPPAGE POSSIBLE. ADDRESSEES SHOULD NOT RPT NOT DISCUSS SUBJECT OF ADCOM MEETING OR DOCUMENT TO BE PRESENTED BY COMGEN WITH HOST GOVTS UNTIL UNRWA COMMUNICATES WITH THOSE GOVTS DIRECTLY.

2. ACCORDING TO MCELHINEY, UNRWA PAPER WILL SET FORTH THREE OPTIONS WHICH AGENCY COULD FOLLOW IN FACE OF UNRELIEVED BUDGETARY DEFICIT:

(A) CONTINUE ALL SERVICES AT PRESENT LEVEL THROUGH JUNE 30, 1975. AS OF JULY 1, SEVERE AND DRASTIC CUTS WOULD HAVE TO BE IMPOSED FOR UNRWA TO SURVIVE CY 75. FOR EXAMPLE, FLOUR RATION WOULD HAVE TO BE REDUCED TO APPROX ONE-HALF OF PRESENT LEVEL, ALTHOUGH MODALITIES OF DISTRIBUTION AT REDUCED LEVEL (E.G., WHO WILL BE REMAINING BENEFICIARIES AND/OR HOW MUCH THEY WOULD GET) HAVE NOT BEEN WORKED OUT. IN ADDITION, ENTIRE GENERAL EDUCATION PROGRAM (I.E., PRIMARY AND RPT AND PREPARATORY CYCLES) WOULD BE ELIMINATED. THIS STEP COULD NOT BE IMPLEMENTED PRIOR TO JULY 31 RPT 31 BECAUSE OF ADMINISTRATIVE LEAD TIME REQUIRED IN GIVING NOTICE TO 8,700 TEACHERS AND SCHOOL ADMINISTRATORS WHO WOULD LOSE THEIR JOBS. WITH REDUCTIONS OUTLINED ABOVE, UNRWA CALCULATES IT COULD CONTINUE OPERATE THROUGH CY 75, RETAINING ITS HEALTH PROGRAM, VOCATIONAL AND TEACHER TRAINING PROGRAMS, AND ONE-HALF OF RATION PROGRAM INTACT. WHILE CUT-OFF OF GENERAL EDUCATIONAL SYSTEM WOULD PRODUCE APPARENT BUDGETARY SURPLUS, THIS SUM WOULD BE MORE CONFIDENTIAL

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THAN CONSUMED BY SEPARATION BENEFITS DUE TERMINATED EMPLOYEES.

(B) CONTINUE SERVICES AT EXISTING LEVEL UNTIL UNRWA GOES COMPLETELY BANKRUPT AND ALL RPT ALL SERVICES BREAK DOWN. CHOICE OF THIS OPTION WOULD MEAN THAT AGENCY WOULD CEASE ALL OPERATIONS AS OF SEPTEMBER 30, 1975. HOWEVER, IF HEALTH PROGRAM WERE TO BE MAINTAINED THROUGH END OF 1975,

UNRWA WOULD BE FORCED SHUT DOWN REST OF ITS OPERATIONS ONE MONTH EARLIER, I.E., AUGUST 31, 1975.

(C) MAINTAIN FULL OPERATIONS FOR REMAINDER OF THIS YEAR IN WEST BANK AND GAZA ONLY. UNDER THIS ALTERNATIVE, AGENCY SERVICES, WITH POSSIBLE EXCEPTION OF HEALTH SYSTEM, WOULD END IN LEBANON, SYRIA AND EAST BANK AS OF JULY 31, 1975. AS VARIATION, HEALTH PROGRAM COULD BE MAINTAINED THROUGHOUT PRESENT UNRWA AREAS OF OPERATION BY MAKING SLIGHT REDUCTIONS (EFFECTIVE JULY 1 RPT 1) IN RATIONS TO RECIPIENTS IN WEST BANK AND GAZA.

3. MOOD IN AGENCY HEADQUARTERS IS SOMBER. MCELHINEY EMPHASIZES THAT THERE ARE NO GROUNDS FOR BELIEVING ADDITIONAL SUBSTANTIAL ARAB CONTRIBUTIONS TO UNRWA WILL BE FORTHCOMING, ALTHOUGH COMGEN CONTINUING HIS EFFORTS TO ACHIEVE BREAKTHROUGH. THERE ARE REPORTS THAT SAUDI ARABIA MAY BE CONSIDERING ADDITIONAL CONTRIBUTION, BUT FEELING IS THAT NEW DONATION, IF RECEIVED, WILL ONLY BE ON ORDER OF DOLLARS ONE TO TWO MILLION. LIKEWISE, THERE ARE SOME RUMBLINGS FROM ABU DHABI BUT NO REPORT NO TANGIBLE PROGRESS. COMGEN HAS STILL RECEIVED NO REPLY TO HIS REPEATED APPEALS TO ARAB LEAGUE SECRETARY MAHMOUD RIAD FOR OFFICIAL REPORT ON PROCEEDINGS AT APRIL 21 ARAB ECONOMIC CONFERENCE.

4. IN PRESENT CIRCUMSTANCES, COMGEN BELIEVES HE HAS NO CHOICE BUT TO INFORM ADCOM OF ALTERNATIVES AND SEEK ADCOM ADVISE (ALTHOUGH HE DOES NOT EXPECT ADCOM TO BE ANY MORE HELPFUL THAN IT HAS BEEN IN PAST). WE BELIEVE IT WOULD NOT BE POSSIBLE TO DISSUADE HIM FROM SEEKING ANOTHER ADCOM MEETING AS WE HAD HOPED TO DO PRIOR TO PASSAGE OF MAY 1 DEADLINE FOR CUTBACKS AIDED IN LAST ADCOM SESSION MARCH 21 (BEIRUT 4303).
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3. ALTHOUGH IT IS IMPOSSIBLE TO BE CERTAIN, WE CONSIDER IT LESS LIKELY THAN IT WAS BEFORE LAST ADCOM MEETING THAT PLO WILL SEEK TO PARTICIPATE. WE BASE THIS ASSESSMENT ON THREE FACTORS:

(A) PLO LEADERSHIP IS IN SOME DISARRAY AT PRESENT TIME IN AFTERMATH OF ARAFAT VISIT TO MOSCOW AND PROBABLY HAS ITS PLATE FULL WITH PRESSING INTERNAL MATTERS.

(B) GIVEN PLO'S OBSESSION WITH INADEQUACY OF SC RESOLUTION 242 BECAUSE IT DEALS WITH PALESTINIANS ONLY AS "REFUGEES," THERE WOULD BE ELEMENT OF INCONGRUITY IN PLO ASSOCIATING ITSELF WITH BREAD AND BUTTER "REFUGEE" PROBLEMS.

(C) THERE WOULD SEEM TO BE LESS INCENTIVE FOR PLO TO ASSOCIATE ITSELF WITH UNRWA AT TIME WHEN AGENCY IS CLEARLY ON FINANCIAL ROPES AND SERVICE CUTBACKS SEEM UNAVOIDABLE.

6. MCELHINEY TOLD EMBOFF IN STRICTEST CONFIDENCE THAT COMGEN HAS UNSYG WALDHEIM'S APPROVAL OF ANY REDUCTIONS IN UNRWA SERVICES THAT COMGEN FEELS ARE NECESSARY. COMGEN SAW WALDHEIM MOST RECENTLY IN GENEVA ON MAY 6. SYG SAID HE HAD ALREADY MADE GENERAL APPEAL FOR ADDITIONAL CONTRIBUTIONS TO UNRWA PRIOR TO MARCH 21 ADCOM MEETING, AND HE THEREFORE DID NOT RPT NOT INTEND ACT ON LATEST ADCOM REQUEST (BEIRUT 3511) FOR YET ANOTHER APPEAL. WALDHEIM SAID HE HAS CONTINUED PERSONAL CONTACTS AND APPEALS TO STATES (INCLUDING ARABS) CAPABLE OF PROVIDING FURTHER FINANCIAL ASSISTANCE. HE INFORMED COMGEN THAT, ON BASIS HIS CONVERSATIONS TO DATE, HE REGARDED CUTS IN AGENCY OPERATIONS AS "INEVITABLE." WALDHEIM FURTHER CONFIDED THAT HE FELT LAST YEAR'S UNGA RESOLUTION EXTENDING MANDATE OF UNRWA WITHOUT ADEQUATE PROVISION FOR ITS FINANCING WAS "IRRESPONSIBLE", SINCE IT UNFAIRLY LEFT HIM (WALDHEIM) HOLDING BAG IN AN IMPOSSIBLE SITUATION.

7. UNLESS DEPT ADVISES TO CONTRARY, US REP WILL ADOPT LOW PROFILE IN ADCOM, LIMITING HIS REMARKS TO OUR TRADITIONAL EXPRESSION OF SUPPORT FOR COMGEN'S POLICIES AIMED AT RESOLVING AGENCY'S FINANCIAL DILEMMA IN MANNER HE DEEMS CONFIDENTIAL

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